

Travel Report
2009 Rail-Volution
Meetings with Senatorial and Congressional Delegates, Federal Transit Administration
and MTA representatives
October 30 – November 8, 2009
Boston, Massachusetts
Washington D.C.
New York, New York

Overview

Rail-Volution 2009, held in Boston, MA, provided those involved with mass-transit projects an opportunity to meet with and hear from experts in the various fields relating to mass-transit projects and transit-oriented development (TOD). In addition to attending Rail-Volution, this office took the opportunity to meet with Honolulu's Congressional and Senatorial delegation, top administrators from the Federal Transit Administration (FTA) and various members of New York's MTA.

The conference and subsequent meetings allowed this office to gain first-hand information relating to the Honolulu High-Capacity Transit Corridor Project (HHCTCP) and mass-transit projects generally. The following report is based on information presented at the conference and obtained in the above-mentioned meetings.

Federal Funding for Transit Projects

The vast majority of public fixed-guideway projects, undertaken in the United States, rely on financial assistance from the Federal government through the one of Federal Transit Administration's (FTA) three major funding programs; New Starts, Small Starts and Very Small Starts.

The "New Starts" program is the largest of the three and is targeted for projects with a total cost exceeding \$250M and seeking more than \$75M in Federal funding. An eligible project can have up to 80% of project costs covered by the Federal government. The New Starts program is highly competitive and proposed projects undergo extremely thorough and lengthy reviews to ensure that they meet the criteria established to determine a project's eligibility. If a project is found to be eligible for New Starts funding the award is made through a Full Funding Grant Agreement (FFGA). The typical timeline for project development, from Alternative Analysis to construction, is 6 – 12 years.

While projects can have up to 80% of total costs subsidized by the Federal government most New Starts projects typically seek <50%. Unlike Honolulu, many municipalities have broader authority in establishing dedicated revenue sources for transit projects, allowing for a project to be funded by multiple local sources. Considering this it is notable that Honolulu is seeking less than 50% of its project costs from the Federal government.

As mentioned above, projects seeking New Starts are evaluated on a variety criteria intended to provide a global review of the project's direct and indirect benefits. The criteria include:

- Mobility Improvements
- Cost Effectiveness
- Public Transit Supportive Land Use
- Economic Development Benefits
- Operating Efficiencies
- Financial Plan

Until recently, "cost effectiveness" has been ascribed a weight of 50%, making it the single most important rating criteria. Recent changes have been made by Congress requiring the FTA to give comparable, but not necessarily equal weight to the above criteria. According to one speaker at the Rail-Volution conference, these changes came as a result of the inherent inability of the "cost effectiveness" criteria to capture the complete scope of a project's benefits. Other possible changes include to the eligibility and review criterion include: reducing the minimum project cost from \$250M to \$100M, elimination of the separate Alternative Analysis (AA) process and instead relying on the NEPA AA's, potential for Transit-Oriented Development (TOD) and consideration of overall environmental benefits.

Additionally, anticipated changes to the Small Starts funding program include the establishment of a separate category for "Streetcars". There is a feeling among industry experts that renewed interest in the use of street cars is nationwide phenomena due not only to their lower overall construction and operational costs, but because the process for securing Federal funds is easier and less competitive than New Starts.

This is not to suggest, however, that there is diminished interest in New Starts-eligible projects. Currently there are over 40 projects in advanced phases of development (e.g. Preliminary Engineering or Preliminary Design) and over 100 projects in the preliminary planning phases.

During our meeting with officials from the FTA several key questions, relating to Honolulu's project, were addressed. Of course the single biggest question is the likelihood of Honolulu receiving an award equal to the amount contemplated in the most recent financial plan; \$1.55B. The answer was: "very likely". Although the FTA makes awards, through FFGAs, the actual funds ultimately need to be appropriated by Congress. While it is possible that appropriations could be less than that provided in the FFGA, based on historical trends, it is extremely unlikely. Coupled with our Congressional and Senatorial delegate's vehement support of the project it appears that Honolulu's request is neither unreasonable nor overly-optimistic. It must also be understood that the FFGA is a contractual agreement between the project sponsor and the FTA. While the FTA is bound to provide funds up to the award amount, the project sponsor is required to complete the project. If project costs exceed estimates, it is the responsibility of the project sponsor to cover those increases.

For those familiar with the New Starts program it comes as no surprise that a dedicated local funding source is absolutely required for a project to be considered for Federal funding. Recent suggestions, by members of the Hawaii State Legislature, that revenues from Honolulu's transit surcharge could be used to cover State budget shortfalls are extremely disconcerting. Given that another important component of a project is local consensus the mere contemplation of diverting those funds has dual implications: first it raises the question of the security of the dedicated local funding source and, secondly, it may imply a lack of local consensus. Taken as a whole, if the Legislature were to divert these funds it would have serious long-term implications for the HHCTCP.

We also raised the issue of whether or not the diversion of funds from the City's bus program, as called for in one scenario in the most recent financial plan, was of concern to the FTA. While it is technically allowable use of these funds, if the diversion adversely impacts existing operations it would be a point of concern for the FTA.

Given the scale of transit project it is understandable that there is a lot of public interest in the planning process. Nearly all projects bear a high degree of public criticism and prophecies of failure but there are virtually no examples of projects which have received the support of the FTA and "failed" in the truest sense of the word. This may serve as a testament to the objectiveness of the FTA's evaluation process. Throughout the official review and evaluation process outside influence is severely restricted and actually discouraged. Although political influence can help to ensure an approved project receives funding it cannot help a project that is inherently flawed or does not have sufficient evidence of being able to meet its intended objectives. At the conference, the

relationship between a project and the Federal government was described best as being limited to the FTA and project sponsor – in the case of Honolulu, that is the Department of Transportation Services. Of course, Honolulu's project has not been without contention or concern over a lack of "openness". As noted above, the New Starts review process is done in real-time and relies on the project sponsor providing continual updates on the various project components. Generally speaking, the only truly "final" documents are those incorporated into the FFGA. While there are milestones throughout the process, they are best viewed as being checkpoints. Several recent situations, relating to planning documents for the HHCTCP, were discussed with the FTA and this office was assured that they would look at ways to ensure that planning documents of significance were available to interested parties.

Lastly, there have been suggestions that Honolulu revisit both the alignments and technologies selected as its Locally Preferred Alternative (LPA). We noted that Honolulu's use of LPA is a bit of a misnomer as the term LPA is generally used to describe the project selected and submitted for Federal funding, in the case of Honolulu the "LPA" is actually the Minimal Operating Segment (MOS). If Honolulu were to consider significant changes to the MOS the entire planning process would have to be redone beginning with a new AA. This assertion is based, in part, on the statements from FTA officials¹ and examples of projects, presented at the Rail-Volution conference, which suffered long-term setbacks including the loss of federal funding. Local laws and provisions aside, Honolulu can still consider alternative technologies and alignments for the spurs included in the AA without jeopardizing the progress of the MOS.

In conclusion, based on the information presented at Rail-Volution and our subsequent meetings with the FTA and elected officials, it is the opinion of this office that the current assumptions of Federal funding are reasonable and likely provide that:

1. No attempts are made to divert Honolulu's GET surcharge revenues or otherwise alter the law
2. The technology and alignments included in the MOS are not significantly amended

We would further recommend that the City's Department of Transportation Services, as project sponsor and representative, work proactively with the City Council to ensure that all documents of significance and project updates are provided to interested parties on a timely basis. While we recognize the concern that contents of information included in draft documents may be taken out of context or misrepresented, the integrity of the project is dependant on the integrity of the project sponsor.

¹ The FTA stated that a "significant" change to project plans would require all associated planning documents be modified. Although the term "significant" is somewhat subjective, it is reasonable to assume that deviating from the technology and alignments are "significant".

Transit-Oriented Development

Another component of successful transit system is land-use which encourages ridership and less dependence on personal automobiles. Transit-supportive land use is best represented by Transit Oriented Development (TOD). The conference provided an opportunity to learn about ways that TODs have been implemented, financed and succeeded. Mobile workshops were also conducted allowing attendees to experience the “transit-oriented” lifestyle and visit different types of TODs.

Described simply, TODs are high-density mixed-use developments near transit stations. A common misperception of TODs is that they are or can be uniform in both their functional and physical characteristics. For decision-makers faced with establishing laws and policies to encourage TOD these misconceptions can have disastrous results. TODs should bridge the gap between the characteristics of an existing community and that of the desired community. While there are certain desirable components for TODs that can be universally applied to projects the emphasis and distribution of these components should, within reason, be dictated by the individual community.

While most TODs can be successful they often rely on public subsidy. TOD projects can be extremely difficult to implement due to excessive regulation by government entities and elected officials. On the one hand governments may make certain concessions to its land-use policies to allow TODs while enacting strict requirements on the project. Financing TOD projects becomes exceptionally difficult due to the length of time it takes for a project to move from concept to completion.

Whether or not TODs should receive public assistance, unsurprisingly, depends on who is queried. Developers generally believe that TODs will fail without such and others, including public officials familiar with these projects, believe the exact opposite. From the perspective of the developers TODs ultimately are of benefit to an entire community and many of the obstacles to financing a TOD project are caused by government policies. Therefore it is reasonable to expect some support from the public.

Yet some public officials believe that direct subsidy of TOD projects doesn't provide a developer with enough incentive to expedite a project or maximize affordability components in a project.

There is no real clear evidence to declare either of these positions “correct”. TODs have both failed and succeeded with or without public assistance. A more reasonable assumption is that each TOD project needs to be approached with an open mind by both the developer and the public. If it is determined that a project cannot be constructed by private financing alone, then the character of the public assistance needs to be determined. We must remember that any time government makes an exception to its rules or laws in favor of a private entity it is providing a subsidy.

Public assistance for a single project can take the form of tax incentives, streamlined approval processes and additional concessions relating to land-use policies. In some instances these indirect subsidies can have a greater impact on a project's success than a direct subsidy. But in order to provide these indirect subsidies the necessary framework needs to be in place beforehand.

In some regions it may be very clear that multiple TOD projects will require public assistance and in these cases the project-specific subsidies mentioned above may not be adequate. One suggested approach to providing cost-effective support to multiple projects is "land-acquisition funds". The "Land Acquisition Fund" is a relatively new and novel approach in providing capital investment for TOD projects. Briefly, these funds are established through combining monies from the public sector, non-profits and private investors. Under this funding mechanism all parties can expect to realize a return on their investment, although the risks and returns are not equal. Public funds serve as the "seed" money and are used to partially securitize investments from other parties. Once the fund has been capitalized it is offered as a land acquisition loan and, upon completion of the project, investors receive their returns in the following order: 1) private parties, 2) non-profits and 3) government entities. Under this approach public funds assume the greatest risk with the least return but, unlike traditional forms of government subsidy, the initial investment can be recovered or can be used to fund additional projects.

It would seem that this would allow for public investments to be project-specific although the concept of a successful land acquisition fund requires that the public investment serve as a revolving security for the fund (i.e. as one project loan is paid off the public investment remains in the fund to secure new outside investors). Unfortunately, the discussion was centered on how to secure and utilize non-public funds and didn't address issues where the public investment component may only be available on a project-specific basis.

While the City has adopted TOD ordinances and the respective departments have begun the planning process for TODs in some areas along the MOS, it is the opinion of this office that further discussions are needed on how the City will, if at all, provide assistance to future TOD projects. Although Honolulu's present economic conditions are relatively stable, real estate in particular, the City needs to prepare a framework that would allow it to respond promptly and responsibly if needed. In addition, it is possible that TOD projects could be used as investment vehicles for the City. One possible consideration is providing a means to reduce the upfront costs to buyers in exchange for increased property tax revenues via a separate tax classification.

In addition to conceptual and historical discussions on TOD, Rail Volution also provided the opportunity for attendees to visit established TODs in Boston area. These mobile workshops included site visits three landmark TOD residential projects in three different sections of Boston. All three projects are intimately tied to transit, all involved highly complex transactions and challenging market conditions, all had significant community involvement and public-private collaboration and all are mixed-income. Various transit lines were used to experience a “model neighborhood project” at Ashmont Station and a landmark downtown project at North Station. During these mobile workshops attendees were afforded the opportunity to meet with the developers of these projects to learn from their experiences. A second mobile workshop presented attendees with one TOD site which supported bus transit rather than the rail – the traditional form of transit used to support TOD. As Honolulu works to improve its overall transit system it may be prudent to consider allowing for TOD at major bus transit hubs to promote increased ridership and dependence on all facets of Honolulu’s transit system, rather than just rail. While TOD is traditionally envisioned as being driven by rail-transit, the site in Boston shows that TOD can be equally compatible with other forms of public transit.

Transit Authorities

Honolulu also needs to address the overall administration of its transit operations. As of the time of this report the City Council is again considering proposing an amendment to the City Charter to establish a transit authority. Unlike transit systems in other States, where operations cross multiple boundaries of municipal jurisdiction, Honolulu’s transit system will not cross municipal boundaries. But it is clear that transit operations should be administered by single entity to ensure future changes to the system are made apolitically and with consideration to the transit system’s total operations. This is not to suggest that decisions on capital-intensive initiatives, such as system extensions, should be at made at the sole discretion of an authority but things like user fares should. Of course the authority should also be receptive to the concerns and requests of the public and their elected officials but the authority’s underlying responsibility and focus must be effective and efficient operation of the existing system.

Ridership growth is the key to any successful transit system and the operators of transit systems must understand the needs of their riders. There are many examples where transit operators, placing too much emphasis on the “bottom line” of their operations, have alienated their riders. Consideration of the user’s experience is not just the time it takes them to get to their destination but the experience of the user during their trip.

Transit authorities are especially helpful in protecting a transit system from political turbulence. One member of New York's Metropolitan Transit Authority, with whom we met, underscored the importance of transit system being able to establish user fares outside the political arena as all too often transit systems realize operational deficits when fares are used as political bargaining chips – i.e. set too low in effort to garner public favor.

Realizing that the vast majority of public transit systems rely on outside subsidy for their operations, it is equally important that any semi-autonomous authority include the legislative and executive branches in the planning process for system expansions and changes to ensure that future requirements for subsidy can be met. Similarly, when any decreases in subsidy are contemplated it should not be done without first consulting the authority to ensure the impacts of proposed changes are clearly understood by both parties.

Meetings with Congressional and Senatorial Delegates

This office also took the opportunity to meet with Hawaii's Senatorial and Congressional delegates. While the focus of these meetings was seeking assurance that the funding amounts being sought by Honolulu for its transit project were likely to be realized, we also solicited input and support for several district projects which, due to their size and scope, would likely need financial support from the Federal government. In particular, we discussed the availability of funding for beach restoration projects and the potential dredging of several key waterways on the Windward side.

City Council
City and County of Honolulu

CLAIM FOR TRAVEL REIMBURSEMENT

Date: December 15, 2009

Traveler: Ikaika Anderson, Councilmember, District 3

Event: Rail-Volution; Federal Transit Administration, Hawaii's Congressional Delegation; N.Y. Public Transit Authority

Location: Boston; Washington, D.C.; New York City

Dates: From: October 28, 2009

To: November 9, 2009

Description	Amount	Notes:
1. Registration Fee	\$425.00	
2. Airfare	\$923.61	Airfare of \$868.61+\$15.00-add'l bag+\$20.00-add'l bag+\$20.00-add'l bag
3. Hotel	\$2,403.71	Boston @ \$783.77, D.C. @ \$786.62, N.Y. @ \$833.32
4. Meals	\$778.24	D.C. @ \$145.65; N.Y. @ \$83.87; other meals @ \$550.95 minus \$2.23
5. Ground Transportation	\$405.45	
6. Miscellaneous (cotton swabs)	\$2.23	
7. Other - Tour Fees (2 x \$35.00/ea.)	\$70.00	
Other - Laundry	\$5.00	
Other - Museum Admission	\$21.15	
8. Subtotal of Expenses	\$5,034.39	
9. Amount previously issued	\$3,812.42	Partial reimbursement via GAX - CCL - 100003398-1
NET AMOUNT DUE TRAVELER	\$1,221.97	
TOTAL COST OF THIS TRIP	\$5,034.39	

This is to certify that the above data, based upon receipts submitted to Council Administrative Support Services via a CCLTRVL02 form, is accurate. Further, I am claiming reimbursement for expenses associated with a trip in which City business was conducted and personal funds were used to advance payment:


Signature of Traveler - Councilmember Ikaika Anderson

12/16/09
Date